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TO RUEHC/SECSTATE WASHDC 6427
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RUEHRG/AMCONSUL RECIFE 5325
RUEHSO/AMCONSUL SAO PAULO 7815
RUEHRI/AMCONSUL RIO DE JANEIRO 2718
RUEHBU/AMEMBASSY BUENOS AIRES 4210
RUEHMN/AMEMBASSY MONTEVIDEO 6412
RUEHAC/AMEMBASSY ASUNCION 5599
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SUBJECT: BRAZIL INTERNAL POLITICS UPDATE, 14-18 AUGUST 2006.

REF: BRASILIA 1659 AND PREVIOUS

1. (U) SUMMARY. Campaign season is now in full swing across Brazil. The first debate among presidential candidates was held on August 14, but President Lula did not participate, although the others made him the focus of the two hour program. On August 15 candidates began running campaign messages on the free TV airtime allocated to parties. Pervasive government corruption continues to factor heavily in the national electoral conversation, but thus far Lula's Teflon coat remains largely intact. END SUMMARY.

Lula Skips Television Debate, But Is Its Focus

2. (U) President Lula skipped the first television debate of the campaign season on August 14. Broadcaster BAND TV provided a chair and nameplate for him. All other legitimate candidates participated: Geraldo Alckmin (Brazilian Social Democracy Party, Heloisa Helena (Socialism and Freedom Party), Luciano Bivar (Liberal Social Party) Cristovam Buarque (Democratic Labor Party), and Jose Eymael (Christian Social Democrat Party). Lula had vowed to participate in a debate only if there is a second round of voting, but on August 17 he reversed himself and said he would participate "when it is useful." (He may have been responding to criticism in Geraldo Alckmin's TV ads.) The debate stirred no dramatic media or public reactions, and was characterized (fairly) by leading daily Folha de S. Paulo as "soporific."

Corruption Is On The Ballot

3. (U) Just before the first televised debate, and apparently after surveying the long list of scandal veterans now shamelessly seeking re-election, Marco Aurelio Mello, president of the Superior Electoral Court, delivered a televised message in which he asked Brazilians to vote against corrupt candidates. Later in the week he repeated his public admonition in stronger terms, warning voters not to vote for any candidate under suspicion, and he declared some TV campaign messages misleading. He assessed a fine of 900,000 reais (about USD 425,000) against President Lula for running a campaign ad outside of the allotted time blocks. Opposition candidates accused Lula of running misleading ads because they showed images of public works projects in several cities that have not been completed.

More Congressmen Implicated in "Bloodsuckers" Scandal

4. (U) The Parliamentary Inquiry (CPI) investigating the

Sanguessugas corruption scandal ("Bloodsuckers") named twenty-seven more federal deputies as suspects, and asked the Federal Supreme Court to open investigations of them. (Note: The scandal centers on fraudulent legislation surrounding budget appropriations for ambulances and other municipal services. End note.) This brings the number of accused members of congress in this scandal to 99, although the CPI has asked the Supreme Court to investigate 84. The work of the CPI has been laudable, based on mostly compelling documentary evidence, and the results are staggering. They are bad news for the PT-led coalition, since it reminds voters that most of the accused in the "mensalao" political bribery of the past year and the current "bloodsuckers" scandals have been members of the small, mercenary parties that make up most of the government's ramshackle coalition. Nonetheless, there is no indication thus far -- even after a more than a year of sensational scandals that have decimated Lula's party and cabinet and roiled through the congress - that Lula's personal popularity with his base is substantially affected.

15. (U) Comment: In a vast country united by one of the largest audiences of television viewers in the world, the TV campaign season is important, and Alckmin hopes it can be decisive. But four days after the beginning of television and radio campaign advertising it is too soon to see an impact. Current polling still shows Lula with a two to one advantage, though some experts believe he is nearing his ceiling. Seven weeks can be a long time in anyone's politics, and Brazil is no exception. But in the current view of most analysts here, Alckmin's only chance is to do well enough on the campaign trail and in TV time to deny Lula a first round win on October 1 and shift the decision to a second round runoff on October 22. Alckmin must grow dramatically in the next three to four weeks, and hope also that Lula stumbles politically or rhetorically.

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